

We have decided to maintain an all-neutral position for the TAA.

Figure 1: Houseview Tactical Asset Allocation

Asset Class	--	-	Neutral	+	++
SA Cash					
SA Bonds					
SA Inflation-Linked Bonds					
SA-Listed Property					
SA Equity					
Foreign Cash					
Foreign Bonds					
Foreign Equity					
Foreign Property					

Synopsis

Here is our investment case for May 2026:

Our houseview remains unchanged from last month. We continue to maintain a neutral stance across all asset classes, reflecting an environment characterised by elevated uncertainty, but with no clear valuation dislocations or high conviction opportunities at this stage. While markets have recovered meaningfully following the escalation of geopolitical tensions earlier in the year, the rebound has been largely sentiment driven. Asset prices now appear to have partially priced in both geopolitical risks and a benign medium-term macro outcome, leaving a more balanced risk/reward profile across most asset classes. Inflation risks remain tilted to the upside, driven by elevated energy prices, supply chain disruptions and cost pass-through dynamics. At the same time, global growth has proven resilient, and recession risks remain contained. Against this backdrop, central banks are expected to remain cautious, reinforcing a higher-for-longer interest rate environment. Given the absence of material mispricing, we prefer to remain neutral, retaining optionality to deploy capital should market conditions present clearer opportunities.

TAA overview

Financial markets experienced significant volatility during March, followed by a strong rebound during April as ceasefire discussions and improved risk sentiment supported a broad recovery across equities, bonds and property. Risk assets, particularly in emerging markets and commodity-linked sectors, have retraced a large portion of their earlier drawdowns.

Despite these recent gains, we noted that markets have normalised faster than the underlying uncertainty has dissipated. Geopolitical risks remain fluid, inflation dynamics remain uncertain, and monetary policy expectations continue to shift in response to incoming data and energy price developments.

From a macro perspective, global growth remains intact, supported by stabilised labour markets, manufacturing sector recovery, ongoing fiscal support and improved productivity trends, particularly in the US and parts of Asia. However, leading indicators point to some moderation in momentum, while business and consumer confidence have softened at the margin.



In South Africa, domestic fundamentals continue to show gradual improvement, but the economy remains vulnerable to external shocks, especially higher oil prices and global risk-off episodes. Valuations across major asset classes appear broadly fair, reinforcing the decision to maintain a neutral stance.

Main Asset Classes

SA Bonds – Neutral

South African nominal bonds continue to offer attractive real yields relative to history and global peers. However, recent market moves have already reflected improved fiscal sentiment and a partial normalisation of risk premia. Uncertainty around the inflation outlook, capital flows and the interest rate trajectory limits near-term conviction. We therefore maintain a neutral position.

SA Inflation-Linked Bonds – Neutral

Inflation-linked bonds continue to provide effective protection against upside inflation risks. However, valuations appear broadly in line with implied real yields, and the asset class remains sensitive to changes in real rates due to its longer duration profile compared to nominal bonds. Given the current balance between inflation protection and real yield risk, we maintain a neutral stance.

SA-Listed Property – Neutral

SA-listed property has recovered alongside broader risk assets, supported by improved sentiment and resilient income characteristics. However, the asset class remains highly sensitive to interest rate expectations. With the outlook for rate cuts becoming less certain and inflation risks persisting, we prefer to remain neutral.

SA Equity – Neutral

South African equities continue to offer attractive relative valuations and stand to benefit from any sustained improvement in global risk sentiment and commodity prices. However, the market remains exposed to global volatility and domestic cost pressures. Given the recent rebound and lingering uncertainty, we maintain a neutral position, while remaining alert to potential opportunities should valuations become more compelling.

Foreign Cash – Neutral

The US dollar remains supported by its safe-haven status and relatively strong US economic fundamentals. At the same time, emerging market currencies have stabilised as risk sentiment has improved. With currencies appearing broadly fairly valued from a real effective exchange rate perspective, we maintain a neutral stance on foreign cash.

Foreign Bonds – Neutral

Foreign government bonds face competing forces. Elevated inflation risks and fiscal pressures argue for caution, while their defensive characteristics remain relevant in risk-off scenarios. At current yield levels, the risk/reward is balanced, supporting a neutral position.

Foreign Equity – Neutral

Global equities continue to be underpinned by resilient earnings, particularly in the technology, industrial and financial sectors. That said, valuations in several regions remain elevated, leaving markets vulnerable in an environment where interest rates are expected to stay higher for longer.



Against this backdrop, developments in the US labour market provide an important counterbalance to recession concerns. A reading of zero job creation is not indicative of deterioration; rather it is consistent with a labour market that is in equilibrium. The breakeven pace of job creation appears to have reset closer to zero, meaning stable employment no longer requires the strong payroll growth seen in prior cycles. At the same time, several forces are likely to tighten labour supply further: aging demographics, negative net immigration, the fading impact of government layoffs and an AI adoption cycle potentially boosting demand for specialised skills. Taken together, these dynamics suggest that labour market conditions could strengthen into 2026, reinforcing wage pressures and supporting household income. While this supports the earnings outlook, it also adds complexity to the inflation path and, in turn, the outlook for interest rates, reinforcing the case for a measured, neutral stance in global equities. With a meaningful degree of optimism already priced in, we remain neutral and prefer to wait for more attractive entry points rather than to chase momentum.

Foreign Property – Neutral

Foreign property remains sensitive to interest rate volatility and valuation risks. Although underlying fundamentals have stabilised, the broader macro uncertainty limits a near-term upside. We therefore maintain a neutral position.